

KIAWAH ISLAND
COMMUNITY
ASSOCIATION

FINANCE COMMITTEE

Meeting Minutes

October 31, 2024 at 9 a.m.

Bobcat Hall & Virtual

Members Present:

In Person: Lisa Mascolo – Treasurer, Larry Wolahan, John McGowan, MaryAnn Ashton,
Debbie Diddle

Virtual: Bran Petranovic, Michael Petrecca, David Nielsen

Not Present: Paul Hough

Staff Present:

Shannon White – COO, Dale Schoon - Director of Finance

Meeting Minutes

Lisa M. called the meeting to order at 9:01 a.m.

Lisa M. asked for a motion to approve the minutes from the October 17, 2024 Finance Committee.

So moved by Michael P., seconded by MaryAnn A.

Vote Passed: (7) In favor: L. Mascolo, M. Ashton, B. Petranovic, L. Wolohan
J. McGowan, D. Diddle, M. Petrecca

(1) Not Present: Paul Hough



Q3 Investment Update – Cook St.

Dana Hensley and Stuart Thomas of Cook St. gave an overview of Q3 Investment performance. Currently \$26M in assets. YTD returns are 9.17% and Q3 was the highest at 4.8%. Stuart provided a Fixed Income update.

Bran P. asked who is unwinding Muni's. Stuart said it is Sage. We have \$3M in this area.

Bran expressed concerns about the salability of Muni's if market changes in next 6 months.

Should we get out now and take the hit or risk waiting and not being able to sell at all. Stuart will prepare some commentary on this.

John M. asked if we can have a duration and maturity profile.

Larry W. asked a question about the \$10M and where it's allocated? Stuart stated it was broken out as \$3M in Muni's and \$7M in non-Muni's. Larry W. also expressed concerns about having 55% in 10 yr maturities. How much of this is liquid? Why are we not in TIPS which has good returns?

Stuart said much of this is in Government Bonds which is liquid. He stated that Cook St. has seen high levels of underperformance in TIPS.

Dana reviewed General Fund – Operating – very short term: 3Q performance at 1.25%. YTD performance through Q3 is 3.6%. Performance of this portfolio is exactly where we'd expect it to be.

Designated Cash Fund – first full quarter of this portfolio which has slightly longer maturities. 1.55% during the quarter which is good.

Dana shared Cook St. is really pleased with the returns and the way this is set up with the governance structure you've got in place.

Q3 Financials

Dale provided overview of Q3 Financials. Flood Assessment is fully collected for the most part – approx. \$820 outstanding. Flood Mitigation projects will have about \$461K unspent at EOY – will stay in deferred until it's spent.

CTR YTD is \$3,978,285 against a \$4M budget. Forecasted in excess of \$4.3M at year end.

The Cape has come in at \$1.5M against a \$1.4M budget.



Access fees forecasted to exceed \$2.9M at year end against a \$2.84M budget.

Reserve operating expenses are tracking behind annual budget. Current forecasts project \$3.237M to be spent in Q4.

2025 Budget

Dale reviewed the 2025 Budget. Discussion on the following items for the 2025 Operating Fund budget recommendation:

- Replenishing Named Storm Reserve from 2024 Operating Fund
- Operating Cash/Investments yield rate for 2025 budget - 5%
- Capital Purchases schedule
- Commercial access fee schedule, bike rental fee, implementation of new trailer decal

Bike Decals – review of fee increases. Discussion to agree to increase to \$50 or \$55? (no increase in 10 yrs prior to 2022). Consider how to narrate this to bike companies.

Lisa recommends the Finance Committee take an increase to \$55 for Bike Decals to the Board for approval.

Sandcastle – consider spending more \$\$ to clean up family pool restrooms. Staff to revise number.

Assessment Increase

Currently as presented, we are in a range of a 10 – 12% increase to Balance the budget.

Discussion:

Larry W. doesn't want it at 10%

Bran P. thinks 5% is too low and 10% too high. Looking around 7.5%.

Lisa feels ARB should be a separate department so its transparent. Assessment line item.

Dale is more conservative in Investment income. Other revenues are pretty set, for ex: Assessments, etc.

The Finance Committee and BOD have worked with Staff during the past 3 years to bring the cash reserves down as a strategy.

John says there's nothing unique about the 2025 Budget – no outliers that says deficit is abnormal.

We don't want to cut anything that will impact service since we are customer service oriented. Bran stated we will always have deficits.



Discussion ensued with regard to an appropriate assessment rate increase for a targeted deficit. Dale commented that the cost of doing business is going up, while KICA is always looking to improve the quality of service.

John asked if we could show delta of 2024 forecast to 2025 Budget. Need the ability to see what constitutes the need for assessment increase and that there's nothing unique that's causing increases in expenses. Will be helpful for the Membership to see. Dale mentioned this had been part of the previous budget presentation.

John asked when was the last time the CTR .05% transfer fee was changed? This would require a Covenant change. Should we look at an increase here?

Take the discussion to Governance Task Force and/or Board.

Assessment increase recommendation – objective is getting to \$1M Operating deficit. 7.5% increase or slightly higher – corresponding increase to Reserve and Joint Member Fee.

- V-Gate – 2025 budget as presented (\$55K deficit – estimated \$250K Fund Balance at end of 2025)
- Ocean Park – Target approximately \$20-25K fund balance for variable water costs.
- Preserve – acknowledge on-going BOD commitment to cover 30% of operating expenses and affirm 2025 budget as presented - \$8K surplus & estimated \$22K fund balance at end of 2025.

Larry – Ocean Park roads. What is the financial impact of this?

Shannon – roads that are fair and poor. Core sampling is currently being done. Currently reviewing this project. No further info until this initial work is done.

BOD Member Paul Hennessy: Revenue question about whether Dale has included assessment revenue for new construction (Cert. of Occupancy) as part of this analysis for next year.?

Dale said yes and that we currently have about 60 properties that move from unimproved to improved status in the Budget.

Member Paul Curth: Commented on Commercial Access Fees remaining flat. Are there plans to increase this in 2025?

Dale said last increase was in 2023 for 2024 – 33%. Should this be normalized also?



Ocean Park deficit will be \$28K. Assessment remains flat. Need to do a review of Improved, Unimproved and Undeveloped properties mix.

Asked about the subsidy for the Preserve. What is the background of this?

Lisa M. gave a very high-level overview of the Preserve subsidy and offered to discuss after the meeting.

Member Peter M: What improvements are being looked at to reduce Operating Expenses?

Dale said we start with a zero-based budget method in which all expenses must be justified for the new year. John and Larry are comfortable with the approach of Staff on the Budget.

Ocean Park Roads need to be prioritized. Remediation Plan needs to be formalized and analysis needs to be done.

Lisa M. asked for a motion to adjourn. So moved by Debbie D., seconded by John M. The meeting was adjourned at 11:07 a.m.

Respectfully submitted,

Ellen Festa, Executive Assistant

